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FARM CREDIT ADMINISTRATION
Research Division
Washington, D. C.

**PROPOSED ORGANIZATION FORMS
FOR
REFRIGERATED FOOD STORAGE LOCKER ASSOCIATIONS**

By

L. B. Mann

Cooperative Research and Service Subdivision

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PROPOSED ORGANIZATION FORMS FOR
REFRIGERATED FOOD-STORAGE LOCKER ASSOCIATIONS

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ORGANIZATION PROCEDURE

Before organizing a refrigerated food storage association, a thorough survey should be made by a representative group of interested producers. Wherever possible, the services of the extension divisions of the State college of agriculture, vocational teachers, and representatives of the State department of agriculture should be utilized in making the survey and developing plans.

Those making such a survey should endeavor to obtain information as to the success of similar associations in other communities, the attitude of producers toward such an enterprise, the economic need and the demand for the service, the most favorable location for a plant, the size of plant suited for probable needs, estimated cost

Note.-- Acknowledgment is made of the assistance of L. S. Hulbert, Assistant General Counsel, and E. Marks, Assistant Attorney, in drafting these organization forms.

of construction and equipment, extent of present competition in the community, and probable cost of services to users; the number of members and patrons to be expected and the maximum amount of capital which can be raised should be estimated conservatively.

If, after analyzing the information assembled, the prospects appear favorable to the formation of an association, a mass meeting should be called to consider further the desirability and prospects for the successful organization of an association.

If sufficient interest and financial support is shown at the mass meeting, an organization committee should be appointed, which should proceed with the solicitation of stock subscriptions, obtain applications for rental service, attend to the incorporation of the association when sufficient stock subscriptions have been obtained and sufficient patronage assured, and otherwise perfect the corporate organization. Suggested procedure in somewhat greater detail may be found in circular C-107 entitled "Refrigerated Food Lockers", published by the Farm Credit Administration in May 1938.

USE OF FORMS

The forms contained herein have been prepared to provide primarily for the organization of a local association having a membership consisting of agricultural producers. However, the forms are so drawn as to provide also for organizations which include in their membership cooperative associations of producers as well as individual producers. The forms also are drafted on the theory that an association may wish to serve a limited number of patrons who are not engaged in agriculture.

It should be observed that an organization agreement is not indispensable to the formation of a cooperative association, and this is particularly true in the case of a local association operating in a small area. However, in most instances, it will be found advisable and helpful to use an agreement of this kind, particularly since it includes a subscription to the capital stock of the association. Attention is called to the fact that the organization agreement also obligates all producers who subscribe thereto to execute the agreement for the use of storage lockers as soon as lockers are available for use. The form of agreement for the use of storage lockers, which is attached to and made a part of the organization agreement, may be used separately after the association is organized, both for members and nonmember patrons.

One matter which is not covered by the agreement for the use of storage lockers, and which so far as we know has been given but slight consideration by existing associations, is the insurance against fire and theft and, if possible, spoilation of the contents

of patrons' lockers. It would be in order for an association to endeavor to obtain for its patrons protection of this character and to have the agreement offer this protection at specified rates to the patrons.

There is also included a stock subscription agreement for preferred stock of the association, which may be used in raising capital from those who are interested in assisting in the organization of the association, but who are ineligible to become members thereof.

The articles of incorporation and by-laws provide for an association organized with nonvoting preferred stock which may be held by anyone, and common voting stock which may be owned only by producers of agricultural products and cooperative associations of such producers which meet the specified eligibility requirements. It may be deemed best to organize an association of the kind in question without capital stock. The stock corporation is sometimes preferred from the standpoint of raising capital and obtaining the financial support of those interested parties who are not eligible for membership. In practice, as much as 25 to 30 percent of the gross revenue and capital contributions is often derived from nonmember patrons who are not agricultural producers. If it is desired, however, to organize a nonstock association, any competent attorney would be able to revise these forms to serve the purpose.

Attention is called to article IX of the by-laws, setting forth the manner in which net income is retained and used in the business and distributed to the patrons. Under the provisions of section 2(b) of article IX, a percentage of the net income allocated to each patron is retained in the business and evidenced by revolving fund certificates. When sufficient capital has been accumulated, the amount retained in a given year may be used to retire the oldest series of certificates; in this way the present patrons finance the association and the patrons of former years are repaid the funds which they furnished for financing the association.

The provisions for revolving amounts retained from income for capital purposes have been designed with a view to providing a plan of financing which will meet the reasonable financial requirements of a properly organized and properly managed association in a manner that will be equitable and will at the same time not be burdensome to the members and patrons.

Finally, it should be stated that these forms are general in character and should be carefully checked with the law of the State in which it is proposed to form an association. Such changes should be made in the forms as are necessary to meet the requirements of the statute under which the association is to be organized. The forms should also be adapted or changed so as to best serve the

business needs and manner of operation of the association. The services of an attorney should be engaged for drafting the various forms since these must be altered, modified and checked to meet local needs and the legal requirements of the State in which the association is to be incorporated.

ORGANIZATION AGREEMENT 1/

The undersigned, a producer of agricultural products, or a cooperative association of such producers meeting the requirements of the Agricultural Marketing Act, as amended, together with other subscribers to agreements identical herewith, in order to obtain an efficient refrigerated storage service, proposes to organize a cooperative association with capital stock as hereinafter provided.

The undersigned agrees for himself and for the benefit of and for the association to be organized and in consideration of the premises and of the subscriptions of others to agreements identical herewith, as follows:

(1) The association shall be organized with suitable articles of incorporation and by-laws as determined by an organization committee consisting of the following persons:

<u>Name</u>	<u>Address</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

If any member or members of this committee shall resign or be unable to act, the remainder of the committee may elect a successor to fill any such vacancy or the committee may increase its membership if deemed necessary.

(2) The organization committee shall keep a full, true and detailed account of all receipts and of all expenditures of every kind and shall have such accounts audited and render a written report thereof to the board of directors of the association, when organized, and shall thereupon turn over to the association any balance remaining in its hands free of obligation. If it is not so organized, such unexpended balance shall be prorated among those who contributed thereto.

1/ If deemed advisable, this agreement may be expressed in the plural and used for obtaining the signatures of a number of producers to each copy thereof. Only those who are eligible for membership should sign the organization agreement.

(3) The amount of the capital stock shall be _____ Dollars (\$ _____), divided into _____ shares of common stock, each of the par value of _____ Dollars and _____ shares of preferred stock, each of the par value of _____ Dollars.

(4) The undersigned agrees to purchase and does hereby subscribe for _____ shares of common stock (at least one share) of the association, par value \$ _____, and _____ shares of 6 percent noncumulative preferred stock of the association, par value \$ _____ each, and agrees to pay for same as follows:

(Here insert the plan of stock payment to be used.)

(5) If, on or before _____, 19____, bona fide subscriptions from acceptable parties to the common and preferred stock of the association shall equal the sum of \$ _____, and the renting of _____ storage lockers has been assured, at least one-half of which will be rented by agricultural producers, the organization committee shall forthwith proceed to file the articles of incorporation and to have the organization of the association completed; subject, however, to the foregoing conditions only, the undersigned agrees that his signature hereto is irrevocable and he so agrees in order to induce others to sign agreements like this one for their mutual benefit.

(6) Acceptance of this agreement by the association shall be deemed conclusive upon the mailing of a notice to that effect to the undersigned at his address noted below, and such notice shall be conclusively established by the affidavit of the secretary of the association. Upon receipt of such notice, the undersigned shall promptly tender to the association the respective amounts subscribed for common and preferred stock or the initial payments required thereon.

(7) The undersigned, if a producer of agricultural products, also agrees to execute an agreement for use of refrigerated storage lockers, in the form attached hereto and made a part hereof.

Read, considered and signed at _____, _____,
this _____ day of _____, 19__.

(Subscriber's signature - do not sign without reading) (Print name here)

Address _____

Accepted at _____,
this _____ day of _____, 19__, in accordance with a
resolution of the board of directors.

_____ Association

By _____
Secretary

AGREEMENT

(For Use of Storage Lockers)

Locker No. _____

This agreement made and entered into by and between _____, hereinafter designated Association, and the undersigned, hereinafter designated Patron,

W I T N E S S E T H:

(1) The Patron hereby makes application to use storage locker No. _____ in the plant of the Association, at _____, for the period expiring one year from the date of the acceptance hereof by the Association, at a rental of \$ _____ for such period, payable in advance, such locker to be used only to store the food products of the Patron, subject to the terms and conditions set forth herein, and to deposit with the Association _____ cents for keys to said locker, such deposit to be returned to Patron upon the termination of this agreement and the surrender of such keys.

(2) The Patron shall have access to his locker only during the regular business hours of the Association. The Patron agrees that the Association at all times shall have the right and authority to open said locker and inspect the contents thereof.

(3) The Association may, without liability, allow any person bearing the Patron's key to have access to the Patron's locker and its contents. The Association reserves the right, however, to refuse access to the Patron's locker and its contents to any person other than the Patron who does not present a written order from the Patron even though such person bears the Patron's key.

(4) No goods shall be placed in the locker unless such goods shall have been inspected, prepared, processed, frozen and marked by the Association. The Patron may not store goods which it would be unlawful to place in cold storage under the laws of the State of _____ or which the Association in its sole discretion considers not fit for successful storage or dangerous or injurious to other goods stored by the Association.

(5) The Association will operate facilities for preparing, processing, and freezing meats, poultry, fowl, fish, game, fruits, berries and vegetables approved by it for storage, and for rendering lard, making sausage, and curing meats and will charge for such services rates which will be posted in a conspicuous place in the

Association's plant. The Association will make no change in any such rates without first giving the Patron a 30-day notice of such change by posting a new or revised list of fees.

(6) The Association will exercise ordinary care and diligence to maintain such temperatures and conditions of all rooms in its plant as will chill, sharp freeze, and hold frozen food and products under proper conditions. The Association shall not be liable for any damage or injury to the goods of the Patron arising from a failure to maintain temperature or otherwise when such damage or injury arises out of or is caused by floods, strikes, public enemy, acts of God, unforeseen emergencies and other acts or omissions over which the Association does not have control, or if the Association has used ordinary care and diligence.

(7) The Association does not assume responsibility for loss of or injury to goods by fire or theft and does not assume to insure the goods of the Patron against such risks. 2/

(8) The Patron agrees to observe all rules and regulations issued by the Association relating to the use of storage lockers and all laws and ordinances pertaining to the purpose and subject matter of this contract and specifically agrees that no goods may be stored in the locker for a period exceeding 12 months and agrees to hold the Association harmless if a failure to comply with any such rules, regulations, laws or ordinances results in loss or damage to the Association.

(9) This agreement shall take effect as of the date of its acceptance by the Association as shown below and shall remain in full force and effect for a period of one year and unless terminated as herein provided shall continue in full force and effect from year to year thereafter. Either party to this agreement may terminate the same in any year by notifying the other party in writing of such intention not more than 30 nor less than 10 days prior to the anniversary date of the acceptance of this agreement by the Association; and in the event neither party gives such notice of termination, it is hereby mutually agreed that this shall constitute conclusive evidence that the parties have renewed this agreement for another year. In addition, the Association may for cause terminate this agreement upon _____ days' written notice to the Patron at his last known address, and the payment to Patron on a pro rata basis of any unearned rental on said locker. Upon termination of this agreement, Patron must return all keys to the Association and must remove all goods remaining in the locker assigned to him and on failure of Patron to do so, the Association may remove the contents of the locker and dispose of them at private sale. The Association may

2/ If insurance arrangements are made, revise accordingly.

then deduct from the proceeds of such sale all unpaid charges and fees for storage and use of its facilities and shall mail a check for the balance, if any, to the Patron at his last known address.

In witness whereof, Patron has hereunto set his hand this _____ day of _____, 19____, at _____.

(Patron's signature) _____
(Patron's address)

Accepted: Receipt of \$_____ rental is acknowledged this _____ day of _____, 19____.

Association
By _____

CONDITIONAL SUBSCRIPTION FOR PREFERRED STOCK 3/

of the

_____ Association.

Whereas, it is proposed by certain interested parties to organize a cooperative refrigerated food storage association to be known as the _____ Association, with its principal place of business at _____, _____, and having an authorized capital stock of _____ Dollars, consisting of _____ shares of common stock of a par value of \$ _____ and _____ shares of 6 percent noncumulative preferred stock of a par value of \$ _____.

Now, therefore, the subscribers hereto, in order to induce others to subscribe for such preferred stock, and in consideration of their mutual promises, do hereby severally agree to and with each other, that they will take, and pay for, and they do hereby severally subscribe for the number of shares of 6 percent noncumulative preferred stock set opposite their respective names, payment to be made as follows:

(Here state plan of payment.)

It is expressly agreed and understood that this agreement and subscription shall not be binding unless \$ _____ of capital shall be secured in bona fide subscriptions of acceptable parties to the common and preferred capital stock of the association on or before the _____ day of _____, 19__ 4/, and unless the association is organized and located as aforesaid with the said capital stock and for the purpose aforesaid. This agreement shall be mutually binding upon the subscribers until said date.

In Testimony Whereof, the subscribers have hereunto set their hands:

<u>Name</u>	<u>Address</u>	<u>Number of Shares</u>	<u>Date of Subscription</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

3/ To be signed only by those who are ineligible for membership.
4/ Ample time should be allowed for organizing the association.

ARTICLES OF INCORPORATION

of _____ 5/ Association

We, the undersigned, all of whom are residents and citizens of the State of _____, engaged in the production of agricultural products, do hereby voluntarily associate ourselves together for the purpose of forming a cooperative association, with capital stock, under the provisions of the _____ Cooperative Marketing Act of the State of _____.

Article I

The name of the association shall be the _____ Association.

Article II

The association is formed for the following purposes:

(a) To operate a refrigerated food storage plant and in connection therewith to engage in: (1) The purchasing and slaughtering of cattle, sheep, swine, fowl and poultry; (2) the purchasing, selling, curing, smoking, freezing, processing, preserving, packing, storing, handling and shipping of meats, fish, fowl, game, poultry, fruits, berries and vegetables, and other perishable commodities of every character and description; and (3) the rental of storage lockers.

(b) To engage in any activities in connection with the purchase, furnishing, rental and sale of supplies and equipment.

Article III

This association shall have the following powers:

(a) To borrow money without limitation 6/ as to amount of corporate indebtedness or liability; and to give a lien on any of its property as security therefor in any manner permitted by law.

(b) To act as the agent or representative of any member or members in any of the activities mentioned in article II hereof.

5/ It is recommended that wherever permitted, the word "Co-operative" should appear in the name of the association.

6/ In some States, the statutes require that the maximum indebtedness which may be incurred by a corporation be stated in its articles of incorporation.

(c) To buy, lease, hold and exercise all privileges of ownership over such real or personal property as may be necessary or convenient for the conduct and operation of the business of the association or incidental thereto.

(d) To draw, make, accept, indorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrants, certificates, and all kinds of obligations and negotiable or transferable instruments for any purpose that is deemed to further the objects for which this association is formed.

(e) To transact any authorized business with nonmembers provided that the total volume of business transacted by the association with nonmembers in any fiscal year shall not exceed the total volume of business transacted with its members.

(f) To acquire, own, and develop any interest in patents, trade marks and copyrights connected with or incidental to the business of the association.

(g) To cooperate with other similar associations in creating central, regional, or national cooperative agencies, for any of the purposes for which this association is formed, and/or to become a member or stockholder of such agencies as now are or hereafter may be in existence.

(h) To have and exercise, in addition to the foregoing, all powers, privileges, and rights conferred on ordinary corporations and cooperative associations by the laws of this State and all powers and rights incidental or conducive to carrying out the purposes for which this association is formed, except such as are inconsistent with the express provisions of the Act under which this association is incorporated, and to do any such thing anywhere; and the enumeration of the foregoing powers shall not be held to limit or restrict in any manner the general powers which may by law be possessed by this association, all of which are hereby expressly claimed.

Article IV

The association shall have its principal place of business in the City of _____, County of _____, State of _____.

Article V

The term for which this association shall exist is _____ years from and after the date of its incorporation.

Article VI

The number of directors of this association shall be 7. Of the first elected board of directors, _____ shall be elected for one year; _____ for two years; and _____ for three years; and thereafter all directors shall be elected for three years 8/. The names and addresses of those who are to serve as incorporating directors until the first annual meeting of the members or until their successors are elected and qualified are:

<u>Name</u>	<u>Address</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Article VII

The amount of the capital stock shall be _____ Dollars (\$ _____) divided into _____ shares of common stock, each of the par value of _____ Dollars and _____ shares of preferred stock, each of the par value of _____ Dollars.

Common stock. - The common stock of this association may be purchased, owned and/or held only by producers of agricultural products who enter into the standard agreement for the use of storage lockers, and cooperative associations of producers meeting the requirements of the Agricultural Marketing Act, as amended, and only such persons and associations shall be regarded as eligible members of the association. In the event the board of directors of the association shall find following a hearing that any of the common stock of this association has come into the hands of any person or association which is not an eligible member or that the holder thereof has ceased to be an eligible member or that such holder, if a producer, has not for a period of _____ months

7/ If the statute under which an association is to be incorporated will permit, it is preferable to state in the articles of incorporation only the minimum number of directors that the association will have, providing in the by-laws, which may be more easily amended, for the actual number.

8/ If desired, directors may be elected annually for a term of one year.

been a lessee of a storage locker of the association, he shall have no rights or privileges on account of such stock or vote or voice in the management or affairs of the association (other than the right to participate in accordance with law in case of dissolution) and the association shall have the right, at its option, (a) to purchase such stock at its book or par value, whichever is less, as determined by the board of directors of the association, (b) to require the transfer of any such stock at such book or par value to any person or association eligible to hold the same, or (c) to require such holder of any such stock to convert the same into shares of preferred stock of equal value.

In exercising its right to purchase or require the transfer or conversion into preferred stock of common stock, if such holder fails to deliver the certificate or certificates evidencing the same, the association may cancel such certificate or certificates on its books and issue a new certificate or certificates of common or preferred stock, as the case may be, to the party entitled thereto.

The common stock of this association may be transferred only with the consent of the board of directors of the association and on the books of the association and then only to persons or associations eligible to hold the same and no purported assignment or transfer of common stock shall pass to any person not eligible to hold the same, any rights or privileges on account of such stock or vote or voice in the management or affairs of the association. Each eligible holder of common stock shall be entitled to only one vote in any meeting of the stockholders, regardless of the number of shares of stock owned by him. This association shall have a lien on all of its issued common stock for all indebtedness of the holders thereof thereto. No dividends shall be paid on the common stock.

Preferred stock. - The preferred stock of this association may be owned or held by anyone; shall carry no voting rights 9/ and may be transferred only on the books of the association; and may be redeemed or retired in whole or in part on a pro rata basis, at par, together with all unpaid dividends thereon at any time on 30 days' notice by the association, in chronological order by years in which certificates therefor were issued. Noncumulative dividends 10/ of six (6%) percent per annum may be paid thereon when, if, and as

9/ In some States, all classes of stock are entitled to vote and this provision should be revised accordingly where necessary, but in such cases care should be taken to restrict the right to hold such preferred stock to producers.

10/ Where deemed advisable, cumulative dividends may be provided.

declared by the board of directors. Upon the dissolution or distribution of the assets of this association, the holders of the preferred stock shall be entitled to receive the full par value of their stock and all unpaid dividends thereon before any distribution is made on the common stock.

In testimony whereof, we have hereunto set our hands this _____ day of _____, 193__.

State of _____)
County of _____) (ss.

11/ Before me, a notary public, within and for said county and State, on this _____ day of _____, 193__, personally appeared _____, known to me to be one of the identical persons who executed the within and foregoing instrument, and he acknowledged to me that he had executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal the day and year above set forth.

Notary public in and for the
County of _____,
State of _____.

My commission expires _____.

11/ The required number of incorporators should acknowledge and the acknowledgment form must conform to the requirements of the State of incorporation.

BY-LAWS

of _____ Association

Article I

Purposes and Powers

The purposes for which this association is formed and the powers which it may exercise are set forth in its articles of incorporation.

Article II

Directors and Officers

Section 1. Number and qualifications.--The business of the association shall be controlled by a board of directors of _____ (_____) members, each of whom shall be a member of this association or an authorized representative of an incorporated member. No person shall be eligible for the office of director if he is in competition with or is affiliated with any enterprise that is in competition with the association and if a majority of the board of directors of the association finds at any time following a hearing that any director is so engaged or affiliated, he shall thereupon cease to be a director.

Section 2. Election of directors.--At the first annual meeting of the members of this association, directors shall be elected to succeed the incorporating directors. _____ (_____) directors shall be elected for one year, _____ (_____) directors for two years, and _____ (_____) directors for three years, and thereafter each director shall be elected for three years. ^{12/} At least two directors shall be nominated for each directorship. Directors shall be elected by secret ballot. The nominee who, among the nominees for each directorship, receives the greatest number of votes shall be declared elected to the directorship for the ensuing term. Directors shall hold office until their successors have been elected and qualified and have entered upon the discharge of their duties.

^{12/} If desired, directors may be elected annually for a term of one year.

Section 3. Election of officers.--The board of directors shall meet within _____ (_____) days after the first election and within _____ (_____) days after each annual election and shall elect by ballot a president, vice president, secretary and treasurer (or a secretary-treasurer), each of whom, unless earlier removed by death, resignation, or for cause, shall hold office until the election and qualification of his successor. The president and vice president only need be members of the board of directors.

Section 4. Vacancies.--Whenever a vacancy occurs in the board of directors, other than from the expiration of a term of office, the remaining directors shall appoint a member or an authorized representative of an incorporated member to fill the vacancy until the next regular meeting of the members.

Section 5. Board meetings.--In addition to the meetings mentioned above, regular meetings of the board of directors shall be held (monthly, quarterly, or semiannually or at such other times and places as the board may determine).

Section 6. Special meetings.--A special meeting of the board of directors shall be held whenever called by the president or by a majority of the directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the secretary and shall state the time and place of such meeting.

Section 7. Notice of board meetings.--Notice of the regular or special meetings of the directors shall be mailed to each director at least _____ (_____) days prior to the time of such meeting.

Section 8. Compensation.--The compensation, if any, of the members of the board of directors and of the executive committee shall be determined by the members of the association at any annual or special meeting of the association; provided, however, that no member of the board of directors, other than one who is acting as an officer of the association and is receiving a regular salary therefor, shall be employed or appointed by the association to any position or in any capacity, for which he shall be paid a salary or other remuneration, for more than 30 days' work in any one year (exclusive of compensation authorized to be paid for attendance at any directors' meeting as specified).

Section 9. Quorum.--A majority of the board of directors shall constitute a quorum at any meeting of the board.

Article III

Duties of Directors

Section 1. Management of business.---The board of directors shall have general supervision and control of the business and the affairs of the association and shall make all rules and regulations not inconsistent with law or with these by-laws for the management of the business and the guidance of the members, officers, employees, and agents of the association. They shall have installed an accounting system which shall be adequate to the requirements of the business and it shall be their duty to require proper records to be kept of all business transactions.

Section 2. Employment of manager.---The board of directors shall have power to employ or to authorize the employment of a manager and such other employees as may be deemed necessary and to fix their compensation. The manager shall have charge of the business of the association under the direction of the board of directors. No director shall serve as manager.

Section 3. Bonds and insurance.---The board of directors shall require the manager and all other officers, agents, and employees charged by the association with responsibility for the custody of any of its funds or negotiable instruments to give adequate bonds. Such bonds shall be furnished by a responsible bonding company and approved by the board of directors and the cost thereof shall be paid by the association. The board of directors shall provide for the adequate insurance of the property of the association and for adequate employer's liability and public liability insurance.

Section 4. Audits.---At least once in each year the board of directors shall secure the services of a competent and disinterested public auditor or accountant who shall make a careful audit of the books and accounts of the association and render a report in writing thereon, which report shall be submitted to the members of the association at their annual meeting. This report shall include at least (1) a balance sheet showing the true assets and liabilities of the association and (2) an operating statement for the fiscal period under review, which shall show the income derived from the rental of lockers, sale and rental of supplies and equipment, and from the various services rendered by the association, and the net income of the association after paying or providing for the payment of all costs and expenses necessary for or incidental to the operations and maintenance of the association for the fiscal year, including the setting up of adequate reserves for depreciation, obsolescence, bad debts and every other contingency of the business.

Section 5. Storage agreements.--The board of directors shall have the power to carry out the storage agreements of the association with its members and patrons in every way advantageous to the association representing the members collectively.

Section 6. Depository.--The board of directors shall have the power to select one or more banks to act as depositories of the funds of the association and to determine the manner of receiving, depositing and disbursing the funds of the association and the form of checks and the person or persons by whom same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

Article IV

Capital Structure

Section 1. Capital stock.--The amount of the capital stock shall be \$ _____, divided into _____ shares of common stock, each of the par value of \$ _____ and _____ shares of preferred stock, each of the par value of \$ _____.

Section 2. Certificates of common stock.--Each certificate of common stock shall have the following statement printed on its face:

"The stock evidenced hereby may be purchased, owned, and/or held only by producers of agricultural products who have entered into a standard agreement for the use of storage lockers and cooperative associations of producers meeting the requirements of the Agricultural Marketing Act, as amended, and only such persons and associations shall be regarded as eligible members of the association. In the event the board of directors of the association shall find, following a hearing, that any of the stock evidenced hereby has come into the hands of any person or association which is not an eligible member or that the holder hereof has ceased to be an eligible member or that such holder, if a producer, has not for a period of _____ months been a lessee of a storage locker of the association, he shall have no rights or privileges on account of such stock, or vote or voice in the management or affairs of the association (other than the right to participate in accordance with law in case of dissolution) and the association shall have the right, at its option, (a) to purchase such stock at its book or par value, whichever is less, as determined by the board of directors, or (b) to require the transfer of any such stock at its book or par value to any person or association eligible to hold the same, or (c) to require the holder of this certificate to convert his holdings of common stock into shares of preferred stock.

"In exercising its right to purchase or require the transfer or conversion into preferred stock of this certificate of common stock, if the holder hereof should fail to deliver this certificate, the association may cancel it on its books and issue a new certificate or certificates of common or preferred stock, as the case may be, to the party entitled thereto. The stock evidenced hereby may be transferred only with the consent of the board of directors of the association and on the books of the association and then only to persons eligible to hold the same, and no purported assignment or transfer of any such stock shall pass to any person not eligible to hold the same any rights or privileges on account thereof or vote or voice in the management or affairs of the association. Any eligible holder hereof shall be entitled to only one vote in any meeting of the stockholders, regardless of the number of shares of stock owned by him. This association has a lien on the stock evidenced hereby for all indebtedness of the holder hereof thereto. No dividends shall be paid on the stock evidenced hereby. Such stock is also subject to all the other terms and conditions stated in the articles of incorporation and the by-laws of this association."

Section 3. Certificates of preferred stock.--Each certificate of preferred stock of this association shall have the following statement printed on its face:

"The preferred stock evidenced hereby shall carry no voting rights 13/ and may be transferred only on the books of the association and may be redeemed or retired in whole or on a pro rata basis at par, together with all unpaid dividends thereon at any time on 30 days' notice by the association in chronological order by years in which certificates therefor were issued. Noncumulative dividends 14/ of six (6%) percent per annum may be paid thereon, when, if and as declared by the board of directors. Upon the dissolution or distribution of the assets of this association, the holders of the preferred stock shall be entitled to receive the full par value of their stock and all unpaid dividends thereon before any distribution is made on the common stock."

Section 4. Revolving-fund certificates.--In order to further the cooperative character of this association and to enable it to provide a means whereby its current and active members and patrons will finance the association, the association is authorized, in section 2(b) of article IX of these by-laws, to deduct from the patronage

13/ See footnote 9/ of the articles of incorporation.

14/ See footnote 10/ of the articles of incorporation.

allocation of each member and patron an amount which shall be not less than _____ percent thereof, as determined each year by the board of directors, and the amounts so deducted shall be retained in the business of the association for capital purposes. At the end of each fiscal year, the association shall issue to each member and patron a revolving-fund certificate to evidence such deductions, which shall be used for the purpose of building up such an amount of capital as may be deemed necessary by the board of directors from time to time and for revolving such capital. Funds arising from such deductions and evidenced by such certificates or funds derived from any other source shall, when, in the opinion of the board of directors of the association, such funds are not necessary for the proper financing of the operations of the association, be devoted to the refunding of the oldest outstanding series of revolving-fund certificates. Such certificates may contain such other terms and conditions not inconsistent herewith as may be prescribed from time to time by the board of directors of the association. Such certificates shall be issued in annual series, each certificate in each series upon its face being identified by the year in which it is issued and each series shall be retired fully or on a pro-rata basis only at the discretion of the board of directors of the association in the order of issuance, by years, as funds are available for that purpose.

Certificates may be retired or transferred only upon delivery thereof to the association, properly indorsed. A record of all holders of revolving-fund certificates shall be kept and maintained by the association, and such certificates shall be transferable only on the books of the association, and no transfer of certificates shall be binding on the association unless so transferred. Notwithstanding any of the foregoing provisions, the board of directors shall have the power from time to time and at any time to pay off or retire or secure a release or satisfaction of any revolving-fund certificates, to compromise or settle a dispute between a holder thereof and the association. All other debts of the association, both secured and unsecured, shall be entitled to priority over all outstanding revolving-fund certificates. Upon the dissolution or winding up of the association in any manner, after the payment of all other debts and the retirement at par plus unpaid dividends of all outstanding preferred stock, all outstanding revolving-fund certificates shall be retired in full or on a pro-rata basis, without priority, before any liquidation dividends are declared on the common capital stock of the association.

Article V

Duties of Officers

Section 1. Duties of president.--The president shall (1) preside over all meetings of the association and of the board of directors, (2) call special meetings of the association and of the board of directors, (3) perform all acts and duties usually performed by an executive and presiding officer, and (4) sign all stock certificates, revolving-fund certificates and such other papers of the association as he may be authorized or directed to sign by the board of directors, provided the board of directors may authorize any person to sign any or all checks, contracts and other instruments in writing on behalf of the association. The president shall perform such other duties as may be prescribed by the board of directors.

Section 2. Duties of vice president.--In the absence or disability of the president, the vice president shall perform the duties of the president; provided, however, that in case of death, resignation, or disability of the president, the board of directors may declare the office vacant and elect his successor.

Section 3. Duties of secretary.--The secretary shall keep a complete record of all meetings of the association and the board of directors and shall have general charge and supervision of the books and records of the association. He shall sign all stock certificates and revolving-fund certificates, with the president, and such other papers pertaining to the association as he may be authorized or directed to sign by the board of directors. He shall serve all notices required by law and by these by-laws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall keep the corporate seal and the book of blank stock certificates and revolving-fund certificates, complete and countersign all certificates issued and affix the corporate seal to all papers requiring a seal. He shall keep stock and revolving-fund certificate records. He shall act as secretary of the executive committee. He shall make all reports required by law and shall perform such other duties as may be required of him by the association or the board of directors. Upon the election of his successor, the secretary shall turn over to him all books and other property belonging to the association that he may have in his possession.

Section 4. Treasurer.--The treasurer shall perform such duties with respect to the finances of the association as may be prescribed by the board of directors.

Article VI

Executive Committee

Section 1. Powers and duties.--The board of directors may in its discretion appoint from its own membership an executive committee of three (3) members, determine their tenure of office and their powers and duties. The executive committee shall have such powers and duties as may, from time to time, be prescribed by the board of directors and these powers and duties may be all of the powers and duties of the said board of directors, subject to the general direction, approval and control of the board of directors. Copies of the minutes of any meeting of the executive committee shall be mailed to all directors within seven (7) days following such meeting.

Article VII

Duties of Manager

Section 1. In general.--Under the direction of the board of directors, the manager shall have general charge of the ordinary and usual business operations of the association, including the rental of storage lockers, the purchase and handling, sale and rental of supplies and equipment, and all service rendered by the association. He shall, as far as practicable, endeavor to conduct the business in such a manner that the members will receive just and fair treatment. The manager shall deposit all money belonging to the association which comes into his possession in the name of the association in a bank selected by the board of directors and if authorized to do so by the board of directors shall make all disbursements by check therefrom for the ordinary and necessary expenses of the business in the manner and form prescribed by the board of directors. Upon the appointment of his successor, the manager shall deliver to him all money and property belonging to the association which he has in his possession or over which he has control.

Section 2. Duty to account.--The manager shall be required to maintain his records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time. He shall render annual and periodical statements in the form and in the manner prescribed by the board of directors. He shall carefully preserve all books, documents, correspondence and records of whatever kind pertaining to the business which may come into his possession.

Section 3. Control of employees.--Subject to the approval of the board of directors, the manager shall employ, supervise and dismiss all agents and employees of the association not specifically employed by the board of directors.

Article VIII

Members and Patrons

Section 1. Qualifications of members.--Any person, firm, partnership, corporation or association, including both landlords and tenants in share tenancies, who is a bona fide producer of agricultural products, may become a member of the association by executing the standard agreement for the use of storage lockers, acquiring a share of the common stock of this association and meeting such other conditions as may be prescribed by the board of directors. In addition, any cooperative association of producers of agricultural products meeting the requirements of the Agricultural Marketing Act, as amended, may become a member by purchasing common stock in the association and meeting such other conditions as may be prescribed by the board of directors.

Section 2. Nonmember patrons.--The association may transact any authorized business with nonmembers provided that the total volume of business transacted by the association with nonmembers in any fiscal year shall not exceed the total volume of business transacted with its members. Nonmember patrons shall be treated the same as members with respect to the distribution of income. The association shall have the right to retain an amount of the patronage allocation of a nonmember patron equal to the par value of one share of common stock, if such patron is eligible for membership in the association and is approved by the board of directors.

Article IX

Allocation and Distribution of Income

Section 1. Allocation of income.--At the end of each fiscal year, the board of directors shall allocate the net income of the association, as shown on the annual report of the auditors, in the following order and manner:

(a) General reserves.--An amount of the net income equal to _____ percent thereof shall be set aside for the purpose of establishing and maintaining general reserves until the amount of such reserves equals _____ percent of the aggregate par value of all outstanding stock.

(b) Dividends on preferred stock.--A sufficient amount of the net income shall be set aside for the payment of dividends of 6 percent on the outstanding preferred stock of the association. If such net income is insufficient for the payment of the 6 percent dividend, such a lesser dividend shall be paid on such preferred stock as the funds available will permit.

(c) Patronage allocation.--The net income remaining after provision for reserves and dividends on the preferred stock of the association shall be allocated to each member and patron in proportion to his patronage of the association during the fiscal year.

Section 2. Distribution of patronage allocations.--The patronage allocations determined in the manner provided in section 1(c) hereof shall be distributed in the following order and manner:

(a) Common-stock purchases of eligible nonmembers.--From the amount allocated to each nonmember patron eligible for membership in the association and approved by the board of directors therefor there shall first be deducted, insofar as funds are available, an amount equal to the par value of one share of common stock as payment on the purchase price thereof, and when any such patron has complied with all the conditions for membership, a certificate for common stock paid for in this manner shall be issued to him.

(b) Revolving-fund certificates.--At least _____ percent, as determined by the board of directors, of the undistributed allocation of each member and patron shall be retained by the association for capital purposes and revolving-fund certificates, more particularly described in article IV, section 4, of these by-laws, shall be issued to the members and patrons therefor.

(c) Cash distribution.--The remaining balance of the patronage allocation of each member and patron may then be distributed to him in cash.

Article X

Meetings

Section 1. Fiscal year.--The fiscal year of this association shall commence on the first day of _____ and end on the last day of _____.

Section 2. Annual meeting.--The annual meeting of the members of this association shall be held in the town of _____, State of _____, at _____ o'clock a.m. on the _____ day of each year, or on that date which the board of directors shall designate at least 30 days in advance of the date specified above.

Section 3. Special meetings.--Special meetings of the members of the association may be called at any time by order of the board of directors, and shall be called at any time upon the written request of at least _____ (____) percent of the members, provided that in no case shall the required number of signatures to such a request be less than _____ (____). The request shall state the time, place and object of the meeting.

Section 4. Notice of meetings.--Written or printed notice of meetings for every regular and special meeting of members shall be prepared and mailed to the last known post-office address of each member not less than _____ () days before such meeting. Such notice, in the discretion of the board of directors, may be given by publishing the same at least _____ () days prior to the date of the meeting in a newspaper of general circulation published in the town where the principal place of business of the association is located. No business shall be transacted at special meetings other than that contained in the call.

Section 5. Absentee voting.--Voting by proxy shall not be permitted 15/ but absent members may vote on specific questions by ballots transmitted to the secretary by mail, and such ballots shall be counted only in the meeting at the time in which such vote is taken, provided that all members have been notified in writing, pursuant to action by the board of directors, of the exact wording of the motion or resolution upon which such vote is taken and a copy of the same is forwarded with and attached to the vote of the stockholder voting.

Section 6. Quorum.--Five (5%) percent of the members shall constitute a quorum for the transaction of business at any meeting of the association except for the transaction of business concerning which a different quorum is specifically provided by law or by these by-laws 16/ but in the event a quorum is not present, such meeting may be adjourned from time to time by those present until a quorum is obtained.

Section 7. Order of business.--The order of business at the annual meeting shall be:

- (1) Roll call
- (2) Proof of due notice of meeting
- (3) Reading and disposal of minutes
- (4) Annual reports of officers and committees
- (5) Election of directors
- (6) Unfinished business
- (7) New business
- (8) Adjournment

15/ The right of a member to vote by proxy is granted in some States.

16/ If permitted by law, the number of members necessary to constitute a quorum should be small in order that meetings may not fail for the lack of a quorum.

Article XI

Miscellaneous Provisions

Section 1. By-laws printed.--After adoption, these by-laws, preceded by the articles of incorporation, shall be printed in pamphlet form and a copy thereof shall be delivered to each member and to each person who may later become a member of the association hereafter as shown on the books of record.

Section 2. Seal.--The seal of the association shall contain these words and figures: " _____ Association, Incorporated, 193__" in circular form, the impress of which is placed hereon.

Article XII

Amendments

If notice of the character of the amendment proposed has been given in the notice of a meeting, these by-laws may be altered or amended at any regular or special meeting of the members by the affirmative vote of three-fourths or more of the members present or voting by mail.

We, the undersigned, being all of the members of the _____ Association, do hereby assent to the foregoing by-laws and do adopt the same as the by-laws of said association.

In witness whereof, we have hereunto subscribed our names, this _____ day of _____, 193__.

WAIVER OF NOTICE OF FIRST MEETING OF MEMBERS

We, the undersigned, being all of the incorporators of the

_____, of _____,
(Name of association) (Town)

_____, constituting all the present members of
(State)

such association, hereby waive notice of a meeting of the members
and consent to the holding of a meeting of such members at _____
o'clock __.m. on the _____ day of _____,
19__, at _____, in _____,
(Place of meeting) (Town)

_____, for the purpose of adopting by-laws
(State)

for the government of the association and transacting any other
business that may properly come before the meeting.

WITNESS our signatures this _____ day of _____,
193__.

WAIVER OF NOTICE OF FIRST MEETING OF DIRECTORS

We, the undersigned, being all of the directors of _____
(Name of

_____, _____, _____,
association) (Town) (State)

hereby waive notice of a meeting of the directors and consent to the
holding of a meeting of such directors at _____ o'clock at __.m.,
on _____, the _____ day of _____, 19__,
(Day)

at _____, in _____, _____,
(Place of Meeting) (Town) (State)

for the purpose of electing officers of the association to serve dur-
ing the ensuing year and transacting any other business that may
properly come before said meeting.

WITNESS our signatures this _____ day of _____,
19__.

MINUTES OF FIRST MEETING OF MEMBERS

The first meeting of the members of _____
(Name of association)

was held at _____ o'clock ____ .m. on the _____ day of _____, 19____, at _____, in _____
(Place of meeting)

_____, _____ . The chair
(Town) (State)

called for proof of notice of the meeting, whereupon _____ presented a waiver of notice and consent to hold a meeting, signed by all members of the association, which waiver and consent was in the following form:

(Copy waiver of notice and consent to meeting.)

The chair ruled that the meeting was properly called and it was ascertained that all of the members of the association were present. The chair reported that the articles of incorporation of the association were filed on the _____ day of _____, 193____, at _____ o'clock in the _____ noon, in the office of the Secretary of State of the State of _____, and presented a copy of the said articles of incorporation which was read and on motion duly made, seconded and carried, was directed to be entered in full in the minute book (see page _____). A draft of the proposed by-laws for the government of the association was presented by _____ and was read to the meeting and was discussed section by section and as a whole, and was unanimously adopted. Each member affixed his signature to the by-laws and the secretary was instructed to spread the by-laws on the minutes of this meeting.

(Here insert record of any other business that may have been transacted.)

There being no further business to come before the meeting, on motion duly made, seconded and unanimously adopted, the meeting adjourned.

(Temporary Chairman)

(Temporary Secretary)

MINUTES OF FIRST MEETING OF BOARD OF DIRECTORS

OF

(Name of Association)

The first meeting of the board of directors of the _____
(Name of

_____, _____, _____,
association) (Town) (State)

was held at _____ o'clock __.m. on _____, _____,
(Day) (Date)

193__, at _____, in _____,
(Place of meeting) (Town)

(State)

Upon convening, _____ was elected
temporary chairman and _____ temporary secretary
of the meeting and each assumed his office.

The chair called for proof of notice of the meeting, whereupon
_____ presented a waiver of notice and consent
to holding the meeting, signed by all of the directors of the
association, which waiver and consent was written as follows:

(Copy waiver of notice and consent to holding meeting.)

Upon roll call of the directors of the association, the follow-
ing answered present: (Record the names of all directors present.)

The chair ruled that proper and legal notice of the meeting had
been given and that a quorum was present and announced that the meet-
ing was open for transacting business.

The chair stated that the meeting was called for the purpose of
electing officers of the association for the ensuing year and trans-
acting any other business that might properly come before the meet-
ing.

Upon motion duly made and seconded, the following officers were
unanimously elected to serve at the discretion of the board until the
time of the first regular meeting of the board to be held as soon as
practicable following the first annual meeting of the members.

(Record the names of the officers elected and the title of office.)

Following the election of the officers, the president took the chair and the secretary assumed his duties as secretary of the meeting.

Upon motion duly made, seconded and carried, the following were appointed members of the executive committee, as provided in the by-laws:

(Record names of members so appointed.)

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the executive committee be charged with the following specific powers and duties:

(State here the specific powers and duties which it is desired to delegate during the period when the directors are not in session, subject to the general direction of the board.)

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the president and secretary be and they are hereby authorized to have prepared and to issue certificates of common and preferred stock in the forms submitted to this meeting, which forms read as follows:

(Here insert copies of certificates of common and preferred stock having printed thereon the provisions appearing in sections 2 and 3 respectively of article IV of the by-laws.)

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the president and secretary be and they are hereby authorized to have printed a sufficient number of copies of the articles of incorporation and by-laws, so that a copy thereof may be delivered to each member, and to each person who may later become a member of the association.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that all subscriptions for common and preferred stock of the association appearing on the list submitted by the secretary be accepted.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the _____ Bank be selected as a depository for the funds of the association.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that all checks drawn upon the _____ Bank, for withdrawal of funds of the association on deposit therewith, be signed by the treasurer and countersigned by either the president or the vice president.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the treasurer is hereby authorized to receive all funds paid into the association, endorse all checks and other media of exchange, and deposit the same to the account of the association in _____ Bank.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the executive committee be and it hereby is authorized to determine the amount of the bond or bonds which the by-laws specify shall be required of all officers, agents and employees charged by the association with responsibility for the custody of any of its funds or negotiable instruments, and to see that the bonds, as required, are executed and presented for the approval of the board of directors.

(Similar resolutions should be adopted, providing for the insurance of the property of the association and for adequate insurance covering other contingencies. Any additional business transacted by the board should also be recorded here.)

There being no further business to come before the meeting, on motion duly made, seconded and unanimously adopted, the meeting adjourned.

Chairman

Secretary

REVOLVING-FUND CERTIFICATE

Series 19_____

No. _____ Amount \$ _____ Date _____

This certifies that _____
(Name)

of _____ is entitled to receive the amount of
(Address)

_____ Dollars without interest from the _____
(Name of

_____ on account of retains from the patronage
association)

allocation of the person named herein, made in accordance with section 2(b) of article IX of the by-laws of the association, subject to the following conditions:

1. This and other revolving fund certificates of the same series are retirable in the sole discretion of the board of directors, either fully or on a pro rata basis, but certificates issued in prior years shall be entitled to priority (except as hereinafter provided) in retirement.
2. This certificate is transferable only on the books of the association.
3. This and other certificates shall be junior and subordinate to all other debts of the association, both secured and unsecured. Upon the winding up or liquidation of the association in any manner, after full payment to all of its other creditors and the retirement at par plus unpaid dividends of all outstanding preferred stock, all revolving fund certificates shall then be retired in full or on a pro rata basis, without priority, before the payment of any liquidation dividends on the common stock of the association.

IN WITNESS WHEREOF, the _____
(Name of association)

has caused this certificate to be signed by its duly authorized officers and to be sealed with its seal this _____ day of _____, 19____.

